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IDAHO PUBLIC
UTILITIES COMMISSION

Chas. F. McDevitt
Dean J. (Joe) Miller
Celeste K. Miller

October 11, 2013

Via Hand Delivery

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, Idaho 83720

Re: IPC-E-13-16
Snake River Alliance

Dear Ms. Jewell:

Enclosed for filing are an original and nine (9) copies of the Direct Testimony of Ken Miller for Snake River Alliance. A copy of the Direct Testimony has been designated as the "Reporter's Copy."

In addition, a disk containing MS Word versions of the Direct Testimony is enclosed for the Reporter.

If you have any questions, please do not hesitate to contact me.

Kindly return a stamped copy.

Very Truly Yours,

McDevitt & Miller LLP



Dean J. Miller

DJM/hh
Encl.

ORIGINAL

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IDAHO PUBLIC
UTILITIES COMMISSION

Attorney for Snake River Alliance.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF IDAHO POWER
COMPANY'S APPLICATION FOR A
CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY
FOR THE INVESTMENT IN
SELECTIVE CATALYTIC
REDUCTION CONTROLS ON JIM
BRIDGER UNITS 3 AND 4**

Case No. IPC-E-13-16

DIRECT TESTIMONY OF KEN MILLER
ON BEHALF OF THE SNAKE RIVER ALLIANCE

October 11, 2013

1 **Introduction and Background**

2 Q. Please state your name and business address.

3 A. My name is Ken Miller and my business address is 223 N. 6th Street, Boise,
4 Idaho.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Snake River Alliance as its Clean Energy Program
7 Director.

8 Q. Please describe your educational background.

9 A. I graduated from Kansas State University in 1977 with bachelor degrees in
10 journalism and in political science. I have also attended multiple extended
11 education programs in the journalism and energy fields.

12 Q. Please describe your professional work experience.

13 A. I worked as a journalist from 1977-2002 at newspapers and news services in
14 Oklahoma, Washington, D.C., Kansas, Nevada, Hawaii and Idaho. My
15 assignments in my journalism career ranged from covering state, local and
16 federal government affairs, including Congress and national politics. As the
17 national energy and environment correspondent for Gannett News Service in
18 Washington, D.C., my assignment included the U.S. Environmental Protection
19 Agency and the Department of Energy. Upon leaving journalism to work in the
20 nonprofit community, I worked from 2002-2004 as Education and Outreach
21 Coordinator and Public Policy Coordinator for the Winter Wildlands Alliance in
22 Boise and from 2004-2005 as a nonprofit grant writer for Idaho Public
23 Television and other entities. I was hired in 2005 as the first Idaho Energy

1 Advocate for the Seattle-based NW Energy Coalition, and in May 2007 my
2 position was shifted from the Coalition to one of its Idaho members, the Snake
3 River Alliance, where I became the Alliance's first Energy Program Director
4 and where I am currently employed. I have served as Idaho Caucus Chair for the
5 NW Energy Coalition and also served on the NWECA Executive Board and as
6 NWECA Board Chair from 2008-2010. In that capacity, I worked with Coalition
7 staff, Board members, and NWECA members in the Pacific Northwest on state,
8 regional, and national energy policy issues in which the NW Energy Coalition
9 and its members are involved, including in Idaho. I have served on the Idaho
10 state wind, geothermal, and solar PV working groups; I participated in the
11 development of the 2007 and 2012 Idaho Energy Plans; and I have presented
12 two papers on utility coal plant issues to the Western Energy Policy Research
13 Conference. In my capacity with the Alliance and with the NW Energy
14 Coalition, I regularly attend energy conferences and workshops in Idaho, the
15 Northwest, and nationally.

16 Q. Please describe your experience in working with Idaho electric utilities and
17 before the Idaho Public Utilities Commission.

18 A. I have served on the Idaho Power Integrated Resource Plan Advisory Council
19 and the Idaho Power Magic Valley Electrical Plan Community Action
20 Committee and other Idaho Power planning initiatives. As Clean Energy
21 Program Director, I have represented the Snake River Alliance in electric utility
22 dockets before the Idaho PUC, and I have participated in and provided
23 comments to the Idaho PUC on a variety of regulatory matters on behalf of the

1 NW Energy Coalition and the Snake River Alliance for the past nine years,
2 beginning in 2004. In addition, the Snake River Alliance successfully partnered
3 with Idaho Power and local planning entities to conduct workshops on how
4 local governments can improve their energy efficiency and reduce their energy
5 consumption.

6 Q. Please describe what experience, if any, you have had regarding Idaho Power
7 and the operation of its coal fleet.

8 A. Aside from my participation in the past five Idaho Power Integrated Resource
9 Plans, I have met on multiple occasions with Idaho Power representatives to
10 discuss the company's coal plant operations. I have prepared multiple reports
11 for the Snake River Alliance, including its September 2011 report, "Idaho's
12 Dangerous Dalliance with King Coal"; its August 2012 report, "Kicking Idaho's
13 Coal Habit, Charting a Cleaner Energy Future," and its September 2013 white
14 paper, "Putting Down a Coal Plant: Retiring a Utility Asset," which we
15 presented at the 2013 Western Energy Policy Research Conference in
16 September 2013.

17 Q. Have you also participated in cases before the Commission involving setting
18 rates for electric utilities?

19 A. Yes. I represented the Alliance in cases IPC-E-11-08 (Application of Idaho
20 Power Company for Authority to Increase Its Rates and Charges for Electric
21 Service in Idaho) and IPC-09-30 (Application of Idaho Power Company for an
22 Accounting Order to Amortize Additional Accumulated Deferral Income Tax
23 Credits and an Order Approving a Rate Case Moratorium). The Alliance

1 participated in all discussions in both cases. We signed the settlement agreement
2 in the first, and declined to sign the agreement in the second. I have also
3 represented the Alliance in Idaho Cost Adjustments, Efficiency Tariff Rider
4 Adjustments, the treatment of Renewable Energy Credits and Sulfur Dioxide
5 Emissions Allowances, and other dockets before the Commission.

6 **Interest of Snake River Alliance**

7 Q. On whose behalf are you testifying?

8 A. I am testifying on behalf of the Snake River Alliance and its members, most of
9 whom are customers of Idaho Power.

10 Q. Please describe the Snake River Alliance's interest in this case.

11 A. The Snake River Alliance was formed 34 years ago to monitor cleanup efforts
12 at what is now known as the U.S. Department of Energy's Idaho National
13 Laboratory. Six years ago, with my arrival at the Alliance, the Alliance became
14 Idaho's first public advocacy organization to address energy issues on a full-
15 time basis. As an environmental advocate, the Alliance promotes clean energy
16 resources such as energy efficiency and other demand-side resources and
17 renewable energy development while also working to reduce utility reliance on
18 traditional fossil fuel supply-side resources. The Alliance recommended to the
19 Commission in March 2013 ("SRA Additional Comments" in Idaho Power's
20 2011 IRP Case IPC-E-11-11) that significant generation asset investments such
21 as those contemplated in this docket be subject to a Certificate of Public
22 Convenience and Necessity (CPCN) process so that the proposed investments
23 would be subject to greater public review and comment.

1 The issues presented in this case warrant the full Commission and public review
2 that a CPCN proceeding provides.

3 **Summary of Testimony and Recommendations**

4 Q. Please summarize your testimony in this case.

5 A. The Alliance's testimony will discuss concerns about the thoroughness of Idaho
6 Power's "Coal Unit Environmental Investment Analysis" and its conclusions.

7 Our testimony will also address Idaho Power witness Harvey's Redacted
8 Exhibit 5A, "Coal Environmental Compliance Upgrade Investment Evaluation,"
9 (Coal Study), which Idaho Power filed in redacted form subsequent to a Snake
10 River Alliance request to Idaho Power. Our testimony will also address our
11 concerns that the known future investments planned by Idaho Power and its coal
12 plant partners are not included in this CPCN case to more accurately reflect the
13 overall costs of the Company's planned coal plant investments as outlined in
14 both of the above-mentioned analyses. And we intend to address the issue of the
15 financial and other risks these investments pose to Idaho Power customers in a
16 time of extraordinary regulatory uncertainty, and whether this investment is
17 premature in light of the uncertainty regarding the state of Wyoming's State
18 Implementation Plan (SIP).

19 Q. Please summarize your recommendations to the Commission in this case.

20 A. The following analysis demonstrates it is premature to shift the risks associated
21 with the proposed investments to ratepayers at this time. Accordingly, the
22 Alliance recommends that the Commission not issue a CPCN.

1 Alternatively, if the Commission feels constrained by the circumstances to issue
2 a CPCN, it should be issued subject to the conditions that:

- 3 ▪ The Commission makes no finding that the proposed investments are
4 prudent for ratemaking purposes;
- 5 ▪ The Commission does not make any binding ratemaking commitments
6 pursuant to Idaho Code §61-549.

7 Q. Is the Alliance suggesting that the Commission enter an order prohibiting Idaho
8 Power from making the proposed investments?

9 A. No. The Alliance is suggesting it is premature to shift the risks of proposed
10 investments to ratepayers. Rather, the Company's management should evaluate
11 options and make investment decisions subject to the traditional understanding
12 those decisions will later be reviewed for prudence.

13 Q. Does the Alliance object to the installation of pollution controls on coal-fired
14 power plants?

15 A. As a general proposition, the Alliance obviously supports measures that reduce
16 the toxic effects of coal-fired electric generation. As discussed below, however,
17 the answer is not so simple in this case.

18 **The Alliance's General Concerns About Coal**

19 Q. Why does the Alliance believe that extending the life of the Jim Bridger coal
20 plant and that Idaho Power's continued reliance on coal is not in the best
21 interests of its customers?

22 A. There are a variety of reasons, beginning with the known impacts coal
23 combustion are having on the climate. Those impacts are now widely accepted

1 by the scientific community, as well as the electric utility sector, and are the
2 primary reason many utilities are retiring coal plants before the end of their
3 useful lives and replacing those coal plants with other supply side and demand
4 side resources. Similarly, coal combustion presents undeniable risks to human
5 health both in the communities in which they are located but also regionally and
6 globally. In addition, as a fuel source for power generation, coal faces the
7 highest amount of risk from future environmental regulations that, if not yet
8 promulgated, are anticipated by the electricity sector. There are also legitimate
9 questions about both the environmental and economic sustainability of coal as a
10 fuel source. Finally, it is presumed that carbon emissions will eventually be
11 regulated in one form or another, and that such regulations, along with existing
12 regulations on other coal plant emissions and waste, may make operation of
13 utility coal plants uneconomic when compared to other demand-side and
14 supply-side resources. Committing Idaho Power customers to another
15 generation of coal plant operations in light of the current uncertain regulatory
16 climate is not a defensible planning decision, nor is it the least cost/least risk
17 option to meet expected future load growth. Committing ratepayers to
18 responsibility for a \$130 million investment in such an evolving regulatory
19 environment poses undue risks to utility customers.

20 **Tip of the Iceberg**

21 Q. Can you explain your concerns about Idaho Power's decision to not analyze
22 expected future health and environmental regulations as part of this case?

1 A. While Idaho Power appropriately employs a carbon “addition” in its IRP process,
2 it does not address the fundamental issue of how future carbon regulations may
3 impact continued coal plant operations. It is now established by federal court
4 decisions that carbon dioxide (CO₂) is subject to regulation as a pollutant under
5 the Clean Air Act. It is also clear that the current presidential administration
6 intends to regulate carbon from new and existing power plants. On September
7 20, 2013, EPA issued proposed New Source Performance Standard regulations
8 for Greenhouse Gas (GHG) emissions from new coal plants and stated it would
9 issue proposed rules by June of 2014 for existing coal-fired power plants.
10 Furthermore, according to the utility trade group the Edison Electric
11 Institute, ([http://www3.eei.org/meetings/Meeting%20Documents/2009-06-](http://www3.eei.org/meetings/Meeting%20Documents/2009-06-22_GCC_IntlElecPartnership-CCStimelineFINAL031809.pdf)
12 [22_GCC_IntlElecPartnership-CCStimelineFINAL031809.pdf](http://www3.eei.org/meetings/Meeting%20Documents/2009-06-22_GCC_IntlElecPartnership-CCStimelineFINAL031809.pdf)), the technology
13 to “capture” and “sequester” CO₂ emissions from generating units on the scale
14 of a utility coal plant has not been deployed, and will not be for a number of
15 years. That further exposes utilities and their customers to additional unknown
16 risks from carbon restraints beginning as soon as 2015. Failure to consider the
17 probability of CO₂ controls in the not-too-distant future raises serious questions
18 about the prudence of making an investment of this magnitude at this time.

19 Q. Can you explain the Alliance’s concerns about the incremental fashion in which
20 these environmental controls are taking place?

21 A. The Alliance has long been concerned about the piecemeal basis in which
22 Idaho Power is moving forward with these retrofits, and we expressed those
23 concerns to the Commission in March 2013, after Idaho Power filed its 2011

1 IRP Update, which included Idaho Power's assessment of its coal fleet to
2 determine the economics of deciding whether to make anti-pollution upgrades
3 or to replace one or more plants with natural gas generation. Specifically, the
4 Alliance told the Commission: "These investments are intended to prolong the
5 life of particular power plants, but their impact is also to add significantly to the
6 balance of the assets' debt that must be retired well beyond the original,
7 expected life of the plants as initially approved by the Idaho Public Utilities
8 Commission" (IPC-E-11-11). The Alliance also told the Commission that, once
9 investments such as these are committed to, further investments to meet new but
10 unknown regulatory requirements will be more difficult to resist and that this
11 build-and-retrofit model common to extending the life of coal-fired power
12 plants is analogous to the "Company Store" model. Once ratepayers are hit
13 with the initial sticker shock of coal plant investments such as those
14 contemplated in this application, they are drawn into a pattern of repeated
15 additional investments in the name of economics but which can be
16 unnecessarily onerous compared to other alternatives. Given the magnitude of
17 the investments sought by Idaho Power here, there is a risk that approval of
18 these investments will place utility customers on an irreversible course toward
19 future investments of unknown size, as Idaho Power clearly intends to extend
20 the life of these coal plants as long as possible.

21 Q. What are other impacts of making these improvements incrementally?

22 A. Taken together, as the Alliance cautioned the Commission in the above-
23 referenced memorandum in IPC-E-11-11, they can amount to a *de facto*

1 development of new supply-side energy resources that, if not for their
2 incremental nature, would otherwise be subject to CPCN review. Unless such
3 investments are thoroughly scrutinized by utility regulators, once new
4 investments in an existing generation asset such as a coal plant are in place and
5 sunk into rates, these repeated upgrades will almost always compare favorably
6 to the overnight costs of new, low-risk resources or even market purchases.
7 Cumulatively, however, there is a risk that the aggregate amount of such
8 retrofits may make coal plant's un-economic rate-based costs when compared to
9 other resources.

10 **Shortcomings of the Coal Study and Related Analysis**

11 Q. In your opinion, does the Coal Study, Redacted Exhibit 5A¹, provide sufficient
12 analysis to justify shifting the risks of the proposed investments to ratepayers?

13 A. No. The Coal Study appears to be a high-level preliminary planning document,
14 not a conclusive basis for investment decisions.

15 Q. Can you identify parts of the Coal Study that lead to that conclusion?

16 A. Yes.

- 17 ▪ At Pg. 3 of Exhibit 5A, the Coal Study states: "To the extent that
18 statements, information and opinions provided by the client or others
19 have been used in the preparation of this report, SAIC has relied upon
20 the same to be accurate, and for which no assurances are intended and
21 no representations or warranties are made. SAIC makes no certification
22 and gives no assurances except as explicitly set forth in this report."

¹ The Alliance appreciates IPCo's cooperation in providing a non-confidential version of Exhibit 5. See Letter of Lisa Nordstrum to Jean Jewell, September 27, 2013.

- 1 ▪ At Pg. 7 of Exhibit 5A, the Coal Study states: “At this stage of the
2 decision process, SAIC felt that due to the uncertainties involved in the
3 future environmental regulations, capital expenditures, and fuel
4 forecasts, a planning level study was the most appropriate approach.
5 This study examined the likely ranges of costs involved with the relevant
6 options identified for each unit, based on a simplified analysis of the
7 costs of generation for each of those options.”
- 8 ▪ At Pg. 8 of Exhibit 5A, the Coal Study states: “Nothing contained in this
9 Report is intended to indicate conditions with respect to safety or to
10 security regarding the proposed upgrades or to conformance with
11 agreements, codes, permits, rules, or regulations of any party having
12 jurisdiction with respect to the construction, operation, and maintenance
13 of the Jim Bridger and North Valmy plants, which matters are outside
14 the scope and purposes of this Report.”
- 15 ▪ At Pg. 10 of Exhibit 5A, the Coal Study states: “Other proposed or
16 potential environmental regulations that could impact IPC’s coal-fired
17 generating plants include the Clean Water Act Section 16(b) regulations,
18 Coal Combustion Residuals ("CCR") environmental regulations, and
19 carbon legislation/regulation. Such proposed or potential regulations
20 could require additional capital expenditures and an increase in the
21 Fixed and Variable Operation and Maintenance ("O&M") costs of
22 affected generating units. Compliance with these environmental

1 regulatory changes could also impact the efficiency or heat rate of
2 affected units.”

- 3 ▪ At Pg. 11 of Exhibit 5A, the Coal Study states: “In addition to the SCR
4 and mercury control costs, certain other environmental retrofit costs
5 have been identified for the plant site, including costs for landfill
6 closures, catalyst replacements, and new pond construction for solid
7 waste disposal. SAIC did not perform any plant site visits as part of this
8 study, and as such, SAIC does not have enough information to address
9 the adequacy of these costs.”

- 10 ▪ At Pgs. 36-37 of Exhibit 5A, the Coal Study states: “IPC should
11 consider conducting additional detailed analysis to evaluate the most
12 promising alternatives considered in this preliminary study. Such
13 studies should consider both annual and cumulative projected present
14 value power costs, production costing simulation with and without the
15 various proposed alternative conversions/retirement scenarios and
16 sensitivity cases and review of the O&M expenses under scenarios and
17 sensitivity cases where a major shift in the operation of generation
18 resources might be expected.”

19 In addition the CPCN Application and the Coal Study omit an analysis
20 of expected regulations on new Clean Water Act requirements for existing coal-
21 fired power plants; coal combustion residuals (CCR,
22 www.epa.gov/coalashrule); National Ambient Air Quality Standards (NAAQS,
23 <http://www.epa.gov/ttn/naaqs/>) for particulate matter (soot, PM2.5); and

1 Mercury and Air Toxic Standards (MATS,
2 <http://www.epa.gov/mats/actions.html>). Exclusion of these known requirements,
3 when there is a high degree of confidence that they will take place, raises
4 additional questions about restricting this CPCN application to two SCRs at Jim
5 Bridger Units 3 and 4.

6 Q. In light of the disclaimers identified above, how would you characterize
7 Redacted Exhibit 5A?

8 A. In my opinion, Redacted Exhibit 5A is a planning document, similar to what
9 might be found in a utility Integrated Resource Plan.

10 Q. Has the Commission recently commented on the weight to be given to utility
11 planning documents?

12 A. Yes. The Commission recently reviewed Rocky Mountain Power's 2013
13 Integrated Resource Plan, Case No. PAC-E-13-05. In Order No. 32890, the
14 Commission said:

15 "An IRP is a utility planning document that incorporates many
16 assumptions and projections at a specific point in time. It is the ongoing
17 planning process that we acknowledge, not the conclusions or results.
18 The commission offers no opinion or ruling regarding the prudence of
19 the Company's selection of its preferred resource portfolio".

20 Q. Does inclusion of only the emission control upgrades at Jim Bridger Units 3 and
21 4 understate the cost of likely environmental compliance measures?

22 A. Yes. The Company's Application recognizes, as discussed above, the uncertain
23 nature of the regulatory environment in this case as well as the uncertainty of

1 possible future regulations affecting all of Idaho Power's coal plants. If the
2 Company were to include the expected requirements for additional regulations,
3 the cost of compliance with those regulations would be far greater than the \$130
4 million in costs attributed to the currently proposed investments.

5 Q. Can you provide an example of the uncertainties involving this proposed
6 investment?

7 A. The Company's Application at Pg. 7 states: "Because of the scope of the
8 Project, the extended period of time it takes to plan, permit, engineer, procure,
9 and construct SCR systems, and the uncertainty of the EPA's final ruling
10 approving the portion of the Wyoming Regional Haze SIP that addresses the
11 SCRs at Jim Bridger Units 3 and 4, a Limited Notice to Proceed (LNTP)
12 contract was signed with the successful Engineering, Procurement and
13 Construction (EPC) bidder on May 31, 2013." And on Pg. 8: "Idaho Power
14 requests the Commission issue a CPCN and authorize binding ratemaking
15 treatment under Idaho Code § 61-541 for the SCR investment because of the
16 magnitude of the investment and the uncertainty surrounding coal-fired
17 generation in today's political and social environment." On this current
18 trajectory, Idaho Power could secure the needed \$130 million for these SCRs
19 before its environmental obligations are more clearly understood.

20 Q. You stated that, in addition to the Coal Environmental Compliance Upgrade
21 Investment Evaluation (Coal Study), Redacted Exhibit 5A, Idaho Power
22 prepared a "Coal Unit Environmental Investment Analysis For The Jim Bridger

1 and North Valmy Coal-Fired Power Plants” that was submitted to the
2 Commission as part of Idaho Power’s 2011 IRP Update (IRP Coal Study).

3 Why is the IRP Coal Study relevant to this proceeding?

4 A. The IRP Coal Study reflects IPCo’s methodological approach to analysis of
5 coal-based resources.

6 Q. What are your concerns about that study?

7 A. The IRP Coal Study submitted with Idaho Power’s 2011 IRP Update contains
8 an overarching flaw that we believe calls its conclusions into question. It
9 examined three options for Idaho Power’s coal plants: upgrade existing plants to
10 comply with state and federal health and environment regulations; replace one
11 or more units with a Combined Cycle Combustion Turbine (CCCT); and
12 converting one or more units to natural gas.

13 Q. Why does the Alliance believe such an analysis is insufficient?

14 A. The study as submitted appears to have omitted for analysis purposes other
15 possible replacement resources for retired coal plants, such as energy efficiency
16 and renewable energy resources. As mentioned above, the analysis omits the
17 impact of a carbon regulatory regime, which if enacted would dramatically alter
18 Idaho Power’s resource stack.

19 Q. Has the Commission recently been critical of planning methods that fail to
20 consider efficiency and renewables?

21 A. Yes. As noted above, the Commission recently reviewed Rocky Mountain
22 Power’s 2013 IRP. In its Final Order, No. 32890 (September 11, 2013), Pg.12,
23 the Commission said:

1 “The Commission directs the Company to increase its efforts toward
2 achieving higher levels of cost-effective DSM. Instituting cost-
3 effective energy efficiency measures that reduce customer demand
4 benefits everyone. Such measures can obviate the need for new
5 generation resources and thereby decrease the constant upward
6 pressure on energy pricing. Cost-effective reductions in customer
7 demand, particularly in peak hours and months, are almost always
8 preferable to the construction of a new natural gas plant or purchases
9 on the wholesale power market.”

10 Q. Has Idaho Power acknowledged the lack of certainty in accommodating future
11 environmental regulations in other public filings?

12 A. Yes. In its 2011 annual report to the U.S. Securities and Exchange Commission,
13 Idaho Power acknowledged that it “anticipates that a number of new and
14 impending EPA rulemakings and proceedings addressing, among other things,
15 ozone and fine particulate matter pollution, emissions, and disposal of coal
16 combustion residuals could result in substantially increased operating and
17 compliance costs in addition to the amounts set forth above, but Idaho Power is
18 unable to estimate those costs given the uncertainty associated with pending
19 regulations.” It appears from this filing that Idaho Power lacks sufficient
20 information needed to invest in coal plants with the intent of extending their
21 lives.

22 Q. Did that SEC filing provide any additional reasons to question the prudence of
23 the investments proposed in this application?

1 A. Idaho Power cautioned that “There are many legislative and rulemaking
2 initiatives pending at the federal and state level that are aimed at the reduction
3 of fossil fuel plant emissions. Idaho Power cannot predict the outcome of
4 pending or future legislative and rulemaking proposals, or the compliance costs
5 Idaho Power would incur in connection with that legislation. Future changes in
6 environmental laws or regulations governing emissions reduction may make
7 certain electric generating units (especially coal-fired units) uneconomical and
8 subject to shut-down, may require the adoption of new methodologies or
9 technologies that significantly increase costs or delay in-service dates, and may
10 raise uncertainty about the future viability of fossil fuel as an energy source for
11 new and existing electric generation facilities.”

12 Q. What is the purpose of SEC Annual Reports?

13 A. In part, the Report advises current and potential investors of risks faced by the
14 Company. Current and potential investors can then “vote with their feet” in
15 deciding whether to take on those risks. Ratepayers, by contrast, do not have
16 that luxury.

17 **Wyoming and EPA Regional Haze**

18 Q: Can you explain why the SCR installations at Jim Bridger are required by the
19 Environmental Protection Agency (EPA) and explain the State Implementation
20 Plan (SIP) process that impacts these coal units?

21 A: The federal Clean Air Act (CAA) requires each state to develop plans to meet
22 various air quality requirements, in this case the improvement of visibility
23 (CAA sections 110(a), 169(A) and 169B referenced in the Federal Register,

1 Vol. 78, No. 111, Monday, June 10, 2013, P. 34741, "Approval, Disapproval
2 and Promulgation of Implementation Plans; State of Wyoming; Regional Haze
3 State Implementation Plan; Federal Implementation Plan for Regional Haze").

4 In this instance, these air quality compliance plans are known as State
5 Implementation Plans (SIPs) and demonstrate how each state will meet
6 Regional Haze requirements to improve visibility in certain "Class 1" federal
7 lands such as national parks and wilderness areas.

8 Q: Did the state of Wyoming complete a SIP?

9 A: Yes, on January 12, 2011. On June 10, 2013, EPA approved portions of the
10 Wyoming SIP and disapproved other portions. As a result, under Section 110 of
11 the Clean Air Act, EPA proposed a Federal Implementation Plan (FIP) to
12 address what it viewed as the deficiencies in the state SIP. EPA intends to issue
13 a final rule in this case by November 21, although the state of Wyoming has
14 indicated it strongly opposes EPA's action with regard to the FIP and the
15 implementation date of the final rule is unknown.

16 This CPCN Application is incomplete when EPA has yet to finalize the
17 Wyoming Regional Haze SIP or FIP, particularly in light of ongoing efforts by
18 its majority partner, PacifiCorp, to attack EPA's requirement that SCRs be
19 installed on Jim Bridger Units 3 and 4.

20 Q. Are the SCRs proposed in Idaho Power's application in this case the optimum
21 method to comply with EPA's Regional Haze requirements?

22 A. Based on the pre-filed testimony in this case, that is difficult to determine.
23 Idaho Power's majority partner in the Jim Bridger enterprise, PacifiCorp, is

1 currently actively engaged in a campaign (“Wyoming for Affordable Power”,
2 www.stopepawy.com) with other Wyoming utilities to attempt to fend off the
3 federal EPA FIP, so it remains unknown what technologies may be required to
4 be installed at Jim Bridger 3 and 4. Idaho Power’s current CPCN Application
5 before the Idaho Commission is premature, particularly so long as its majority
6 partner (PacifiCorp) continues to wage an ongoing campaign against the federal
7 re-proposal in Wyoming.

8 Idaho Power is seeking binding ratemaking treatment to install
9 technology at Jim Bridger 3 and 4 while simultaneously its majority partner in
10 Wyoming (PacifiCorp) is attempting to undermine the required installation of
11 the same emissions upgrades for which Idaho Power is seeking Idaho PUC
12 CPCN approval. The two strategies appear to conflict with each other.

13 Q. Did Idaho Power’s coal plant analysis consider its requirement to comply with
14 mercury emission controls under the MATS rule?

15 A. Idaho Power states in Response to Request No. 4 by the Alliance that the SCR
16 additions at issue in this CPCN docket “will not satisfy the requirements of the
17 MATS rule” and that it intends to recover such costs for future emissions
18 control investments in a future general rate case. The Alliance believes those
19 costs are known by Idaho Power and should be included in this docket.

20 Q. Is Idaho Power required to comply with the MATS rule?

21 A. Yes, it is. Idaho Power states in its Response to Request No. 8 by the Alliance
22 that “all four units at the Jim Bridger power plant are required to comply with
23 the MATS rule,” which took effect on April 12, 2012, and which established a

1 three-year compliance period. Idaho Power is aware of its obligations to comply
2 with the MATS rule, yet such compliance costs are omitted from this CPCN
3 application.

4 **Failure to Pursue Alternatives**

5 Q. Could Idaho Power and its coal plant co-owners have negotiated with the EPA
6 and other regulators to reduce the scope of the required emission control
7 equipment in exchange for a commitment to decommission the plants earlier
8 than scheduled?

9 A. Idaho Power says it could not, but there is no evidence it attempted to do so.
10 According to Page 4 of the Coal Unit Environmental Investment Analysis that
11 was submitted with Idaho Power's 2011 IRP Update, in its "Compliance Timing
12 Alternatives" section, the Company indicates it "evaluated the economic
13 benefits of delaying coal unit investments required under the emerging
14 environmental regulations." The Company said that, as part of that evaluation, it
15 assumed it could negotiate with state and federal entities a five-year period
16 where no additional environmental controls are installed in exchange for
17 shutting the unit down at the end of the five-year period. Idaho Power then
18 referred to compliance timing alternatives as "strictly hypothetical" and that it
19 "may not have any basis under current regulations to negotiate this delay." The
20 Company added in that report on Pg. 4 that regulators "have not offered any
21 such delay" but does not indicate whether Idaho Power or its co-owners
22 attempted to contact regulators on this issue.

1 Q. Was Idaho Power directed by a utility regulatory body in either Idaho or Oregon
2 to conduct such discussions with environmental regulators?

3 A. On May 21, 2012, the Oregon PUC gave Idaho Power explicit directions to do
4 so in its Order 12-177 in Case No. LC 53, Idaho Power Company 2011
5 Integrated Resource Plan: "In its next IRP Update, Idaho Power will include an
6 Evaluation of Environmental Compliance Costs for Existing Coal-fired Plants.
7 The Evaluation will investigate whether there is flexibility in the emerging
8 environmental regulations that would allow the Company to avoid early
9 compliance costs by offering to shut down individual units prior to the end of
10 their useful lives. The Company will also conduct further plant specific analysis
11 to determine whether this tradeoff would be in the ratepayers' interest."

12 Q. Did Idaho Power satisfy this directive from the Oregon PUC?

13 A. Idaho Power indicates it did not contact the EPA on this matter. The analysis
14 submitted to the Idaho and Oregon PUCs as part of its 2011 IRP Update (IRP
15 Coal Study) states on Pg. 13 that "it is highly unlikely Idaho Power would have
16 the ability to negotiate alternative scenarios as described above." Our
17 conclusion is that Idaho Power assumed negotiations would not be fruitful, so it
18 did not contact EPA to attempt negotiations.

19 Idaho Power's Response to Discovery Request No. 3 submitted by the
20 Alliance states that "There were no communications between Idaho Power and
21 the Environmental Protection Agency, PacifiCorp or the state of Wyoming
22 regarding the delay of installation of environmental controls on any unit in
23 exchange for shutting that unit down." Furthermore, Idaho Power states in its

1 Response to Discovery Request No. 6 by the Alliance that “Based on the
2 importance of the Jim Bridger power plant to the resource portfolio of
3 PacifiCorp and Idaho Power, Idaho Power analyzed but did not discuss with any
4 state or federal agencies the possibility of avoiding the installation of required
5 emission controls at Jim Bridger by delaying the compliance requirements in
6 exchange for shutting down the units.”

7 Q. Idaho Power’s Coal Study, Redacted Exhibit 5A and its IRP Coal Study)
8 Update indicate that the Company must make its commitments to upgrade its
9 coal plants in Wyoming and in Nevada no later than the end of 2013. Is that a
10 realistic timeline?

11 A. No, it is not. As mentioned earlier, the timeline laid out on Pg. 33 of Idaho
12 Power’s 2011 Integrated Resource Plan Update cannot be met. For one thing,
13 Idaho Power acknowledges its planning for these investments is mostly in the
14 hands of its power plant owner-partners – certainly that seems to be the case
15 with the Jim Bridger upgrades, according to Idaho Power’s filings in Oregon.

16 Q. What are Idaho Power’s estimates for when it needs to commit to making
17 retrofits in the Jim Bridger and North Valmy coal plants?

18 A. According to the Near-Term Action Plan in Idaho Power’s 2011 Integrated
19 Resource Plan Update, the Company states it must commit to installing a Dry
20 Sorbent Injection system to comply with the Mercury and Air Toxics Standards
21 (MATS) regulations in North Valmy 1 no later than the third quarter of 2013.
22 Idaho Power also states in the same Update that it anticipates it will need to
23 commit to install SCR technology at Jim Bridger 3 by the second quarter of

2013, which has passed. And it states that it anticipates having to commit to making the same SCR investment at Jim Bridger 4 also by the second quarter of 2013. To date, the Idaho Commission has yet to review any of these anticipated commitments to install emission-control equipment at any of its coal-fired power plants, and given the uncertain regulatory environment confronting Idaho Power's majority partner in the Jim Bridger plants in Wyoming, it is not likely that such commitment can be made in 2013. The situation with the North Valmy plants in Nevada, now that NV Energy has announced plans to divest its coal assets, is even more uncertain.

Q: Do you agree with the statements in the direct testimonies of Idaho Power witnesses Grow (Grow Di, Pg. 11) and Harvey (Harvey Di, Pg. 14) that:

“Unlawfully operating the units in violation of federal and state regulations is not an option?

A: Of course. Neither the Alliance nor any other party in this case has suggested Idaho Power operate any of its coal units in violation of state or federal law, but that is beside the point in this case. It assumes Idaho Power has only two options: violating the law or installing the upgrades it says are required. In fact, as our testimony shows, there are more than two options, including retiring one or more of the coal units and replacing that generation with supply side and demand side resources, but that option does not appear to have been fully analyzed, if it was analyzed at all, by Idaho Power or the contractor it secured to prepare its analysis.

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A. Ms. Grow's analysis is based on nameplate capacity of various generating resources. From an environmental perspective, this is the wrong matrix. Because pollutant emissions are a function of annual generation, not nameplate capacity, annual generation by fuel type gives a better picture. According to another Idaho Power Publication http://www.idahopower.com/AboutUs/EnergySources/FuelMix/typical_fuelMix.cfm), the Company's supplied energy mix in a typical year is:

Viewed from this perspective, the Company's energy mix is not diverse. Putting aside embedded hydropower, about 4% of annual energy comes from environmentally benign sources (wind, biomass and geothermal) and the rest of the half of its annual energy comes from a source (coal) with significant environmental concerns and risks.

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1 *Langley Gulch* generation station, Case No. IPC-E-09-03. There, the very large
2 investment required coupled with uncertainty in capital markets argued in favor
3 of a binding assurance to attract outside financing.

4 Q. Does this conclude your testimony?

5 A. Yes it does.

CERTIFICATE OF SERVICE

I hereby certify that on the 11th day of October, 2013, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

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